

MONTHLY REVENUE REPORT

September 2003

Tax collections from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.87 billion in September, which was up 4.3% from last year's level. This increase in collections, however, was not the result of a general improvement in tax collections driven by an increase in economic activity. Rather, the increase was due to a 55% increase in State education property tax collections, which was generated by the new accelerated due date that went into effect this summer. Excluding the one-time boost in revenue being generated by the State education property tax, September collections from these major General Fund and School Aid Fund earmarked taxes were down from last year's level by an estimated 2.0%. This decline was primarily due to continued weakness in income tax collections. On a fiscal year-to-date basis, total collections from these major taxes, including all State education property tax revenue, are down 0.7% from the comparable year-ago level. While Michigan's fiscal year ended on September 30th, tax revenue collected in October and November that is based on activity that occurred before the end of September, will be accrued back to FY 2002-03. It is estimated that when all of the accruals are made, including the accrual of the State education property tax accelerated payments, the revenue from these major taxes will top last year's level by 1.2%.

Net income tax collections totaled \$624 million in September, which was down a steep 7.7% from last year's level. This marked the 10th time in the past 12 months that income tax collections dropped below the year-ago level. About 2.5 percentage points of the decline in September can be attributed to the reduction in the tax rate, which is currently 4.0% compared with 4.1% last year at this time. Gross income tax collections, which primarily include the tax withheld from workers' paychecks, along with quarterly and annual payments, were down 5.3% in September. Most of this decline was due to the continued weakness in Michigan's employment level. Payroll employment was down 82,000 workers, or 1.8%, in September compared with the year-ago level. This weakness in gross income tax collections was exacerbated by a 93% increase in the amount of income tax payments that were refunded to taxpayers. So far in FY 2002-03, net income tax revenue is down 6.0%; however, after all of the accruals are accounted for, FY 2002-03 net income tax collections are expected to be down 4.5%.

Sales tax collections totaled \$582 million in September, representing a decline of 0.6% from last year's level. This marked the third consecutive month that sales tax revenue fell below the year-ago level. Sales tax collections from motor vehicle sales were down 8.3% in September, but collections from all other taxable retail sales were up 0.9%. So far in FY 2002-03, sales tax collections are just about even with the year-ago collections level. When all of the year-end accounting adjustments are made, FY 2002-03 sales tax collections are expected to be down a slight 0.4%.

Single business tax collections totaled \$109 million in September, which was up 8.2% from the year-ago level. This marked the third time in the past four months that single business tax collections topped the year-ago level. Despite this recent improvement, single business tax receipts are still down 6.0% on a fiscal year-to-date basis. After the accrual adjustments are made, single business tax collections for FY 2002-03 are expected to be down 7.1%.

Among some of the other major taxes in September, use tax collections were up 2.3%, tobacco tax revenue was up 6.5%, estate tax receipts were up 75.8%, and real estate transfer tax collections were down 12.4%.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for September 2003, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revised consensus revenue estimates for FY 2002-03.

Jay Wortley, Senior Economist



MICHIGAN REVENUE UPDATE
SEPTEMBER 2003
(dollars in millions)

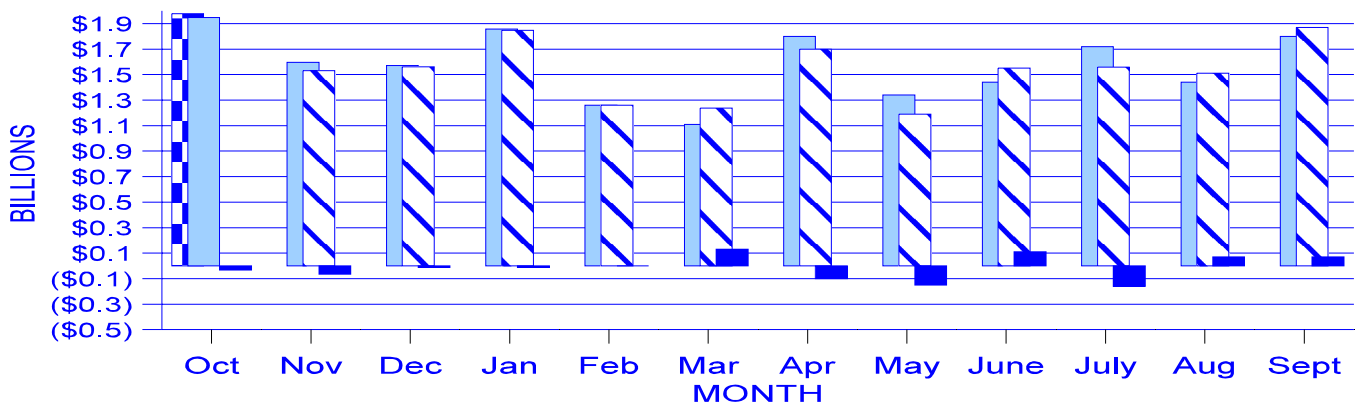
Type of Revenue	September Collections		FY 2002-03 to Date ²⁾		FY 2002-03 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago
Gross Income Tax	\$ 655.1	(5.3)%	\$6,813.5	(2.9)%	\$7,364.5	(2.4)%
Refunds	(31.5)	93.3	(1,514.6)	9.7	(\$1,549.1)	7.0
Net Income Tax	\$ 623.6	(7.7)%	\$5,298.9	(6.0)%	\$5,815.4	(4.6)%
Sales Tax	582.0	(0.6)	5,860.8	0.0	6,417.1	(0.4)
Motor Vehicles	88.2	(8.3)	954.8	(1.9)	—	—
All Other Sales Tax	493.8	0.9	4,906.0	0.3	—	—
Use Tax	112.1	2.3	1,128.4	(5.8)	1,230.5	(5.8)
Tobacco Taxes	79.1	6.5	816.5	42.1	890.1	32.9
Single Business Tax	108.8	8.2	1,649.4	(6.0)	1,842.6	(7.1)
Insurance Tax	1.4	100.0	205.2	8.2	233.8	3.0
State Education Property Tax	312.1	54.7	1,384.5	12.1	2,092.2	32.1
Real Estate Transfer Tax	22.7	(12.4)	236.4	1.5	260.0	2.7
Estate/Inheritance Tax	11.6	75.8	96.1	(22.4)	102.3	(21.9)
Casino Gaming Tax	14.6	0.0	90.6	(0.7)	91.0	(1.0)
Oil & Gas Severance Tax	6.3	142.3	50.1	72.2	57.0	85.7
Total	\$1,874.3	4.3%	\$16,816.9	(0.7)%	\$19,032.0	1.2%
Addendum:						
Gross Lottery Sales ⁴⁾	\$138.1	8.4%	\$1,681.5	(0.4)%	\$1,677.1	(0.6)%
Net to School Aid Fund ⁴⁾	\$ 48.9	(15.4)%	\$584.5	(5.4)%	\$ 587.0	(4.3)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2002-03 year-to-date collections begin with November 2002 collections to reflect accrual accounting.
- 3) Revenue estimates adopted at the October 14, 2003, Consensus Revenue Estimating Conference.
- 4) Lottery revenue is not accrued, so FY 2002-03 lottery revenue will include October 2002 to September 2003.

Actual Revenue Collections for Major State Taxes*

October 2001 to September 2003

CASH COLLECTIONS (Billions of Dollars)



*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.